

PURPOSE

The Michigan Department of Health and Human Services (MDHHS) has established a uniform and coordinated method of monitoring the Prepaid Inpatient Health Plan's (PIHP) and the Community Mental Health Service Provider's (CMHSP) compliance examinations. This will help provide assurance that applicable laws, rules, regulations, and contract provisions are followed through an appropriate system of accounting and administrative controls.

DEFINITIONS**AD**

Audit Division.

BA

Bureau of Audit.

CMHSP

Community Mental Health Service Provider.

CMH Compliance Examination Checklist

A Bureau of Audit checklist completed for all CMH compliance examinations received. Its purpose is to identify compliance examination disclosures that may negatively impact the MDHHS's federal and state funded community mental health programs.

CMH Compliance Examination Guidelines

The Community Mental Health (CMH) Compliance Examination Guidelines issued by the Michigan Department of Health and Human Services (MDHHS) to assist independent audit personnel, Prepaid Inpatient Health Plan (PIHP) personnel, and Community Mental Health Services Program (CMHSP) personnel in annually preparing and performing compliance examinations as required by contracts between MDHHS and PIHPs or CMHSPs.

Comments

Non-compliance issues noted in the compliance examination report that do not warrant a finding.

CPA

Certified Public Accountant.

Corrective Action

Action taken by the PIHP/CMHSP that corrects identified deficiencies, produces recommended improvements, or demonstrates that the finding is either invalid or does not warrant action.

FSR

Financial status report.

Findings

Deficiencies noted in the compliance examination report.

ISF

Internal service fund.

Management Decision

The evaluation of the findings, questioned costs, and corrective action plans; and the issuance of a written decision as to what, if any, further corrective action is necessary, and what amount, if any, will be recovered from reported questioned costs.

Management Letter

A letter that may accompany a compliance examination, issued by the auditor, that includes non-material findings noted during the compliance examination and the auditor's recommendations.

Material Noncompliance

Noncompliance with the applicable requirements that has a material effect.

PIHP

Prepaid Inpatient Health Plan.

Program Division

Division of Program Development, Consultation and Contracts, Bureau of Hospitals and Behavioral Health Administration.

Questioned Cost

A cost that is questioned by the auditor because of a finding which resulted from a violation of an agreement or document governing the use of funds; where the costs are not supported by adequate documentation; or where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

SARMS

Subrecipient Audit Report Monitoring System - An Audit Report Tracking database utilized to track timely receipt, review and resolution of compliance examinations.

Monitoring

Continuous collection of relevant information about a PIHP/CMHSP organization and its performance, including financial management, compliance with laws and regulations, organizational integrity, economy and efficiency in its use of funds, and whether program results are being achieved.

POLICY

MDHHS will:

1. Periodically review and revise the compliance examination guidelines to ensure compliance with current mental health code, federal and MDHHS requirements.
2. Ensure Prepaid Inpatient Health Plan (PIHPs) and Community Mental Health Services Providers (CMHSPs) submit CMH compliance examinations as required by the contracts.
3. Review the CMH compliance examination reporting packages submitted by PIHPs and CMHSPs to ensure completeness and adequacy.
4. Issue a management decision on findings, comments, and questioned costs contained in the PIHP or CMHSP CMH compliance examination reporting package.
5. Monitor the activities of PIHPs and CMHSPs as necessary to ensure the Medicaid program and GF program funds are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts.

6. Determine if it is necessary to also perform a limited scope compliance examination or review of selected areas.

PROCEDURE

Contractual Audit Requirements

Bureau of Audit (BA)/ Program Division

In response to changes in federal laws, regulations, and MDHHS compliance examination requirements, proposes compliance examination requirement contract language and revised CMH compliance examination guidelines within the program division's contract development schedule.

Program Division

Incorporates recommended compliance examination requirement language, or alternative language agreed upon by BA, in the MDHHS's standard contract and the CMH compliance examination guidelines that complies with federal, state, and MDHHS compliance examination requirements.

Compliance Examination Tracking

Audit and Review Section of the Bureau of Audit

Logs the receipt of compliance examinations from the PIHPs/CMHSPs in SARMS.

Bureau of Audit (BA)

Monitors SARMS database reports to ensure that required compliance examinations are received within nine months after the end of each of the PIHP's/CMHSP's fiscal years.

If compliance examinations become delinquent, follows up with the PIHP/CMHSP until the required compliance examinations are received.

If the PIHP/CMHSP does not secure the compliance examination required under MDHHS contractual requirements, and an extension has not been obtained from MDHHS, assess penalties in

accordance with the contractual provisions outlined in the MDHHS agreement.

Notify the program division of the delinquent status of compliance examinations that extend beyond six months from the due date for the purpose of determining if other monitoring procedures should be implemented (i.e. on-site review, limited scope audit, discontinuance of funding).

Monitors SARMS reports to ensure received compliance examinations are reviewed within six months of their receipt, and a management decision is issued within eight months of their receipt, and timely follow-up action is taken.

Compliance Examination Reviews

Bureau of Audit (BA)

Completes the compliance examination checklist for all compliance examinations received within six months of their receipt.

Obtains management letter if there is an indication one was issued, and BA did not receive a copy.

Summarizes findings, adverse disclosures, instances of non-compliance, internal control weaknesses, or questioned costs identified in the compliance examination that may need additional follow-up.

Compliance Examination Follow-Up

Bureau of Audit (BA)

Contacts PIHPs/CMHSPs or auditors for additional information as needed.

Determines course of action for non-financial findings, financial-related findings, comments, and questioned costs, other negative disclosures and management letter issues that may have an impact. Generally, the actions listed below will be taken for each item, but depending on the issue, or combination of issues, procedures may be modified to ensure efficient and effective resolution.

Updates the status of each compliance examination in SARMS until all follow-up actions are completed and the file is closed.

**Examination
Findings with No
Financial
Adjustments**

Bureau of Audit (BA)

Refers compliance examination report to the program division and requests that they investigate and evaluate findings and corrective actions taken or planned by the PIHP/CMHSP.

Program Division

Issues a written management decision to the PIHP/CMHSP within eight months of MDHHS's receipt of the compliance examination that includes any further corrective action that is necessary and sends a copy to BA.

Monitors the PIHP's/CMHSP's planned corrective action to ensure PIHP/CMHSP takes appropriate and timely action.

**Examination
Findings with
Financial
Adjustments**

Bureau of Audit (BA)

Investigates and evaluates findings and corrective actions taken or planned by the PIHP/CMHSP.

Drafts a management decision to the PIHP/CMHSP that includes any further corrective action that is necessary and sends a copy to the program division for their review and input.

Program Division

Evaluates BA's drafted management decision and provides BA with feedback. Any disagreement with drafted management decision will include an explanation and applicable support.

Bureau of Audit (BA)

Evaluates the program division's feedback and amends drafted management decision as deemed appropriate.

Issues a management decision to the PIHP/CMHSP and provides copies to the program division and accounting division.

Accounting Division

Monitors the collection of questioned costs and notifies BA when collection is made.

If funds are not received by the due date and an appeal has not been filed, notifies BA when funds will be withheld from current funding, and notifies BA when collection is made.

Program Division

Monitors the PIHP's/CMHSP's planned corrective action to ensure the PIHP/CMHSP takes appropriate and timely action.

**Other Negative
Disclosures****Bureau of Audit (BA)**

Refers other negative disclosures that are material to the program division and requests that they investigate and evaluate disclosures and corrective actions taken or planned by the PIHP/CMHSP. Based on the nature of the negative disclosure, a written response may be requested of the program division.

Program Division

Monitors the PIHP's/CMHSP's planned corrective action to ensure the PIHP/CMHSP takes appropriate and timely action.

**Management Letter
Issues****Bureau of Audit (BA)**

Refers management letter issues that are material to the program division and requests that they evaluate the issues and determine if any further action is necessary. Based on the nature of the management letter issues, a written response may be requested of the program division.

**MDHHS
Examination or
Review**

Performs a limited scope CMH compliance examination or review of selected areas based on an analysis of information referred by the program division and/or MDHHS accounting, and/or an analysis of the CMH compliance examination. Some of the items that may trigger an MDHHS examination or review include the following:

- Significant changes from one year to the next in reported line items on the FSR.
- A PIHP entering the MDHHS risk corridor.
- A large addition to an ISF per the cost settlement schedules.
- A material non-compliance issue identified by the independent auditor.
- The CPA that performed the compliance examination is unable to quantify the impact of a finding to determine the questioned cost amount.
- The CPA issued an adverse opinion on compliance due to their inability to draw conclusions because of the condition of the agency's records.

REFERENCE

Codification of Statements on Auditing Standards, promulgated by the American Institute of Certified Public Accountants.

AICPA SSAE No. 18 – AT-C Section 205.

Forms

CMH Compliance Examination Checklist

CONTACT

Bureau of Audit 517-241-7599.